

# University of California Office of the President Enterprise Risk Management (ERM)

## Bulletin #1

May 24, 2006

This bulletin is the first in a series of regular communications you will be receiving regarding the University's initiative on Enterprise Risk Management (ERM).

The University has been moving towards an enterprise approach to identifying and managing risk including financial, business, operational and governance risk.

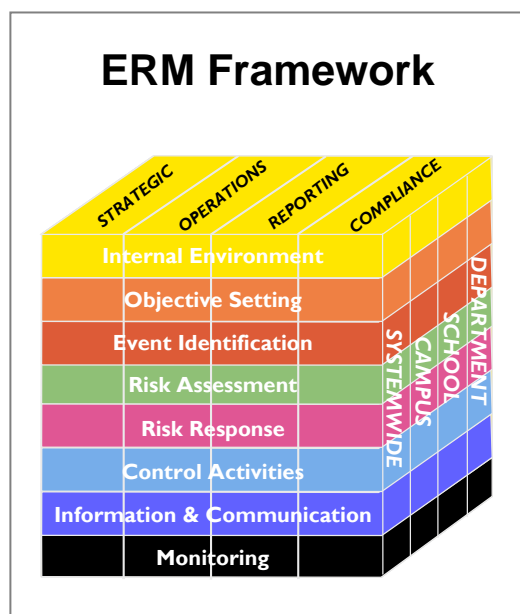
As a leading institution of higher education and financial practices, the University of California is planning to implement the Enterprise Risk Management framework advocated by the Committee of Sponsoring Organizations of the Treadway Commission<sup>1</sup> (COSO). An ERM Panel was formed that includes management representatives from Office of the President and the campuses. The initial mission of the Panel was to develop a Request for Proposal for consultation services related to coordinating and implementing ERM initiatives at UC.

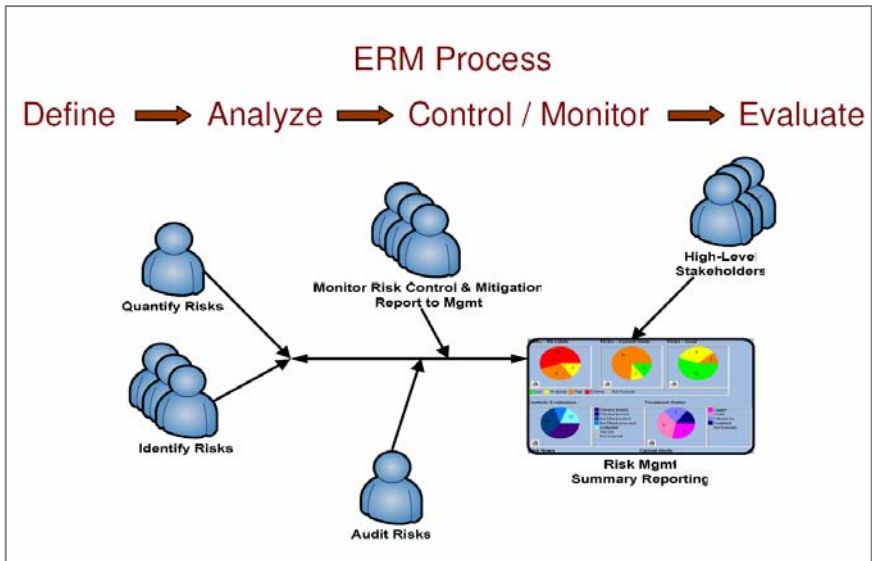
- Regents adopt COSO<sup>1</sup> framework (1996)
- Controller positions established at each campus (late 1990s)
- Several campuses develop ERM initiatives (2004–present)
- Chief Risk Officer (CRO) position established (December 2004)
- ERM Panel formed to develop an ERM strategy (June 2005)

The Panel has selected a consultant to review our existing programs and data and identify what components of the ERM framework we need to improve on and what processes or programs we may need to implement in order for UC to move forward with the implementation of ERM.

The overall strategy is to develop a data warehouse that can manage information already being collected by various groups, existing programs, and initiatives throughout the system—a Risk Management Information System (RMIS). Once consolidated in a single location, the data can then be used with the COSO framework to analyze processes, risks, and controls systemwide. The current expenditure for the existing Risk Services claim information systems will be shifted to building the new data warehouse/RMIS, which will also serve as the claim information system.

<sup>1</sup> <http://www.coso.org>





As we move forward with our ERM initiative we will be able to look at the Total Cost of Risk, which would include losses not included in the self-insured program, such as employee grievances, human subject injury, and other operational risk, as well as regulatory risk (fines), business risk (grants, patents), reputation risk, governance, and other events that may adversely affect the University, whether due to negative consequence or to failure to achieve positive consequence due to missed

opportunities. By identifying and analyzing the full cost of risk, we will develop strategic plans to reduce the cost and free up resources to be used for meeting the University's mission.

The system will also support the monitoring of internal controls and accountability, providing valuable information to the Controllers and Internal Auditors.

To learn more, please visit the Risk Services website at <http://www.ucop.edu/riskmgt/welcome.html> and follow the "Enterprise Risk Management" link. If you have any questions, please contact Chief Risk Officer Grace M. Crickette (email [grace.crickette@ucop.edu](mailto:grace.crickette@ucop.edu), telephone 510-987-9820).